

ASSEMBLY BILL

No. 1075

Introduced by Assembly Member Nava

February 27, 2009

An act to add Sections 187 and 14408.5 to the Financial Code, relating to financial institutions.

LEGISLATIVE COUNSEL'S DIGEST

AB 1075, as introduced, Nava. Financial institutions.

Existing law, the Banking Law, provides for the regulation and certification of state organized banks by the Commissioner of Financial Institutions. Existing law, the California Credit Union Law, provides for the regulation and certification of state organized credit unions by the commissioner.

This bill would prohibit a state regulated bank or credit union that is a recipient of federal or state emergency economic assistance from using money derived from that assistance for specified purposes. The bill would make a bank or credit union that violates these provisions subject to a civil penalty of at least \$100,000 per violation, would require those penalties to be deposited in either the State Banking Account or the Credit Union Fund, and would prohibit those banks or credit unions from receiving any future emergency economic assistance, as specified.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 187 is added to the Financial Code, to
2 read:

1 187. (a) A bank, or any subsidiary, that is a recipient of federal
2 or state emergency economic assistance shall not use any funds
3 derived from that assistance for any of the following:

4 (1) Lobbying expenditures or political contributions.

5 (2) The hosting or sponsorship of, or payments for, conferences
6 and events.

7 (3) The use of corporate aircraft, travel accommodations, and
8 travel expenditures.

9 (4) For the purpose of mergers or acquisitions.

10 (5) Expenses relating to office or facility renovations or
11 relocations.

12 (6) Expenses relating to entertainment, holiday parties, employee
13 recognition events, or similar ancillary corporate expenses.

14 (b) Any bank that violates this section shall be subject to a civil
15 fine of at least one hundred thousand dollars (\$100,000) per
16 violation and shall be ineligible to receive any future emergency
17 economic assistance until the bank has completed measures to
18 comply with, and to prevent future violations of, the provisions of
19 this section. Fines collected pursuant to this subdivision shall be
20 deposited in the State Banking Account.

21 SEC. 2. Section 14408.5 is added to the Financial Code, to
22 read:

23 14408.5. (a) A credit union, or any subsidiary, that is a recipient
24 of federal or state emergency economic assistance shall not use
25 any funds derived from that assistance for any of the following:

26 (1) Lobbying expenditures or political contributions.

27 (2) The hosting or sponsorship of, or payments for, conferences
28 and events.

29 (3) The use of corporate aircraft, travel accommodations, and
30 travel expenditures.

31 (4) For the purpose of mergers or acquisitions.

32 (5) Expenses relating to office or facility renovations or
33 relocations.

34 (6) Expenses relating to entertainment, holiday parties, employee
35 recognition events, or similar ancillary corporate expenses.

36 (b) Any credit union that violates this section shall be subject
37 to a civil fine of at least one hundred thousand dollars (\$100,000)
38 per violation and shall be ineligible to receive any future emergency
39 economic assistance until the credit union has completed measures
40 to comply with, and to prevent future violations of, the provisions

1 of this section. Fines collected pursuant to this subdivision shall
2 be deposited in the Credit Union Fund.

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